

BOARD OF TREASURY INVESTMENTS

CALENDAR NOTE

Board Meeting
January 25, 2024

OPERATING REPORT DECEMBER 2023

Board of Treasury Investments

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Charleston WV
25304
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www.wvbt.com

Board of Directors

Riley M. Moore,
State Treasurer,
Chairman

James C. Justice II,
Governor

John B. McCuskey,
State Auditor

Patrick M. Smith,
CPA
Appointed by the
Governor

Mark A. Mangano,
Esq. Attorney
Appointed by the
Governor

Executive Staff

Executive
Director
Kara K. Hughes,
CPA, MBA, CFE,
CGIP

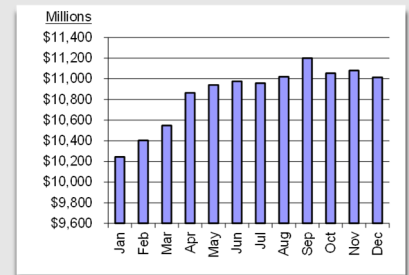
Chief Financial
Officer
Karl Shanholtzer,
CFA, CPA, CIA

**Total Net Assets Under
Management**

\$11,012,480,000

Last Month
\$11,078,485,000

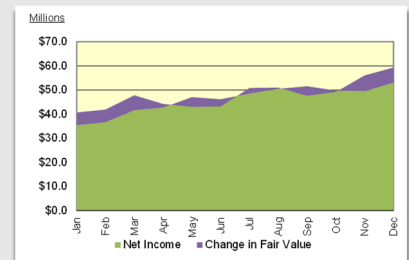
Beginning of Fiscal Year
\$10,975,194,000



**Net Assets for the Past
12 Months**

**Total Net Income & Changes in
Fair Value**

Fiscal Year
\$315,412,000



**Monthly Net Income &
Changes in Fair Value for
the Past 12 Months**

Money Market Pools As of December 31, 2023

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	5.5750%	44 Days	\$9.8 Billion
WV Gov't Money Market	5.3251%	42 Days	\$475.0 Million

* Yields represent the simple money market yield net of fees.

** W.A.M. is the weighted average maturity.

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

THE ECONOMIC STATE

DECEMBER 2023

Markets Gifting Positive Returns

Overview:

As we begin 2024, we wish all of you, our valued clients, a happy and healthy New Year. It was indeed a happy end to 2023, with the markets continuing to provide the gift of positive returns. Thanks to the last two months of the year, all major indices (except commodities and real estate) ended the year in the green.

Equity Markets

Small capitalization stocks led in the month (Russell 2000 +12.2%), narrowing the performance gap versus large cap stocks that marked most of 2023. The same was true of the style gap (Russell 1000 Value +5.5% for the month versus Russell 1000 Growth +4.4%), but growth still dominated for the year (Russell 1000 Growth 42.7% versus 11.5% for Russell 1000 Value). The returns for the S&P 500 were dominated by the “magnificent 7” (Meta, Tesla, Google, Apple, NVIDIA, Amazon, Microsoft,) whose contribution to the index return was by far the majority of the S&P 500 return of 26.3% (see the chart below). Non-U.S. stocks also had a good month (EAFE +5.3%, MSCI EM +3.9%), but lagged the US again for the year. China was the worst performing large country (-11%), dragging down the emerging markets index return given its large weighting in the index.

Fixed Income

Interest rates continued to drop during the month of December, albeit at a slower pace than we saw in November. Overall, the Bloomberg Aggregate index returned 3.8% in the month and 5.5% for the year. The best performance in the month was, again, from longer duration bonds, with a return of 8.6%, and thanks to the returns in November and December ended the year with a positive 3.1% return. High Yield bonds and leveraged loans provided the best performance for the year in fixed income, returning 13.4% and 13.3% respectively.

Interest rate volatility was the theme of 2023, with the 10-year Treasury beginning the year just below 3.9%, peaking just above 5% in October, and closing the year back where it started at 3.88% (see chart below). While rates are up dramatically since the end of 2021, we need to go back to 2007 to see yields near current levels.

Looking Forward

As we close 2023 and look ahead, futures markets are pricing six interest rate cuts in 2024, well ahead of the Federal Reserve’s projection of three. So, while the market and the Fed may be more in line than during most of the last year, it looks like the market may be ahead of itself. Even still, a reduction in interest rate volatility is expected to provide the long-awaited benefits of higher yielding bonds. As for equities, the “magnificent 7” may also be ahead of themselves, and there may be room for other segments of the equity market to provide solid returns if we get a continuation of the breadth we saw in November and December. The detailed outlook and review of 2023, including for private markets, will be provided in the weeks ahead.

West Virginia Board of Treasury Investments

Financial Highlights as of December 31, 2023

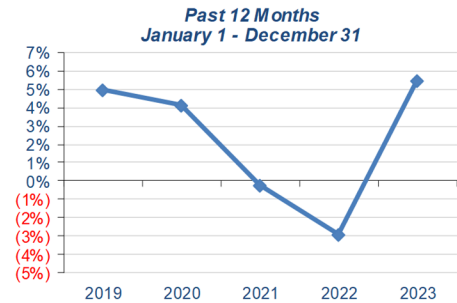
WV Short Term Bond Pool

Rates of Return for the Past 12 Months *Net of All Fees*

<u>January 1 - December 31</u>	<u>Return</u>	<u>Net Assets At Dec 31 (In Millions)</u>
2023	5.5%	\$ 691.2
2022	(2.9%)	\$ 690.6
2021	(0.2%)	\$ 818.7
2020	4.1%	\$ 816.0
2019	4.9%	\$ 817.2

Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool

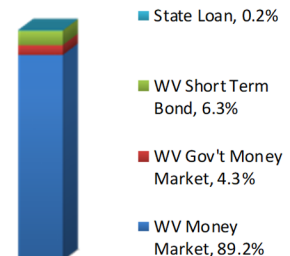
WV Short Term Bond Pool Rates of Return



Summary of Value and Earnings *(In Thousands)*

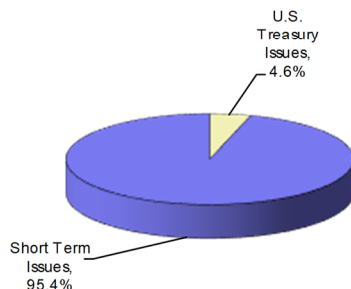
<u>Pool</u>	<u>Net Asset Value</u>	<u>Dec Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 9,818,731	\$ 48,322	\$ 278,128
WV Gov't Money Market	475,003	2,162	11,207
WV Short Term Bond	691,221	8,792	25,791
WV Bank	0	0	1
Loans	26,474	51	247
Participant Accounts	1,051	5	38
	<u>\$ 11,012,480</u>	<u>\$ 59,332</u>	<u>\$ 315,412</u>

Percent of Total Net Asset Value

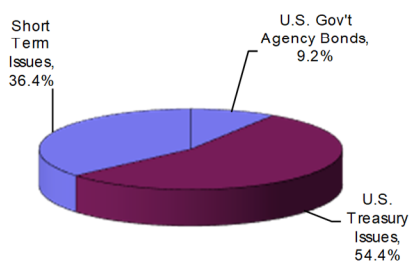


Securities by Type for Operating Pools *(Percentage of Asset Value)*

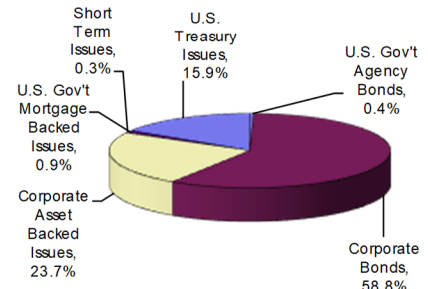
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED
DECEMBER 31, 2023
(IN THOUSANDS)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	Other Pools	Participant Directed Accounts	Total
Assets						
Investments:						
At amortized cost	\$ 9,792,887	\$ 474,560	\$ -	\$ 26,335	\$ -	\$ 10,293,782
At fair value	-	-	688,843	-	1,046	689,889
Other assets	27,737	532	31,363	140	5	59,777
Total assets	9,820,624	475,092	720,206	26,475	1,051	11,043,448
Liabilities						
Accrued expenses, dividends payable & payables for investments purchased	1,893	89	28,985	1	-	30,968
Total liabilities	1,893	89	28,985	1	-	30,968
Net Position						
Held in trust for investment pool participants	9,818,731	475,003	691,221	-	-	10,984,955
Held in trust for individual investment account holders	-	-	-	26,474	1,051	27,525
Total net position	\$ 9,818,731	\$ 475,003	\$ 691,221	\$ 26,474	\$ 1,051	\$ 11,012,480
Additions						
Investment income:						
Interest and dividends	\$ 20,280	\$ 1,035	\$ 2,394	\$ 52	\$ 5	\$ 23,766
Net (amortization) accretion	28,441	1,147	124	-	-	29,712
Provision for uncollectible loans	-	-	-	-	-	-
Total investment income	48,721	2,182	2,518	52	5	53,478
Investment expenses:						
Investment advisor, custodian bank & administrative fees	399	20	45	1	-	465
Total investment expenses	399	20	45	1	-	465
Net investment income	48,322	2,162	2,473	51	5	53,013
Net realized gain (loss) from investments	-	-	(520)	-	-	(520)
Net increase (decrease) in fair value of investments	-	-	6,839	-	-	6,839
Net increase (decrease) in net position from operations	48,322	2,162	8,792	51	5	59,332
Participant transaction additions:						
Purchase of pool units by participants	924,450	79,279	-	-	-	1,003,729
Reinvestment of pool distributions	48,322	2,162	263	-	-	50,747
Contributions to individual investment accounts	-	-	-	-	-	-
Total participant transaction additions	972,772	81,441	263	-	-	1,054,476
Total additions	1,021,094	83,603	9,055	51	5	1,113,808
Deductions						
Distributions to pool participants:						
Net investment income	48,322	2,162	2,473	-	-	52,957
Net realized gain (loss) from investments	-	-	(521)	-	-	(521)
Total distributions to pool participants	48,322	2,162	1,952	-	-	52,436
Participant transaction deductions:						
Redemption of pool units by participants	1,122,486	4,843	-	-	-	1,127,329
Withdrawals from individual investment accounts	-	-	-	48	-	48
Total participant transaction deductions	1,122,486	4,843	-	48	-	1,127,377
Total deductions	1,170,808	7,005	1,952	48	-	1,179,813
Net increase (decrease) in net position from operations	(149,714)	76,598	7,103	3	5	(66,005)
Inter-pool transfers in	-	-	-	-	-	-
Inter-pool transfers out	-	-	-	-	-	-
Net inter-pool transfers in (out)	-	-	-	-	-	-
Change in net position	(149,714)	76,598	7,103	3	5	(66,005)
Net position at beginning of period	9,968,445	398,405	684,118	26,471	1,046	11,078,485
Net position at end of period	\$ 9,818,731	\$ 475,003	\$ 691,221	\$ 26,474	\$ 1,051	\$ 11,012,480